DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 13, 2013

Ms. Joanne Cavallari, Finance Manager
City of Cloverdale
P.O. Box 217
Cloverdale, CA 95425

Dear Ms. Cavallari:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Cloverdale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation for the reason specified:

> Item No. 2 – 2006 Tax Allocation Bonds (Non-Housing Portion) is partially denied in the amount of $23,248. The Agency requests Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of $371,959 and has revised the interest amount requested to $348,711 per the bond indenture. Therefore, the excess of $23,248 is not eligible for RPTTF funding.

The ROPS 13-14B review template was set to compute the prior period adjustment (PPA) on a line-item basis. Finance reviewed the PPA for the administrative costs to ensure the adjustment is made only if the Agency's total administrative expenses were under the total authorized administrative allowance. As a result of our review, the ROPS III prior period adjustment for administrative cost was adjusted by $153,521. This adjustment was necessary to account for the administrative costs approved by Finance and to recognize the three percent, or $250,000 administrative cost allowance authorized by HSC section 34171 (b).

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $1,071,285 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		969,533
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**1,094,533**
Total RPTTF requested for non-administrative obligations		**969,533**
Denied Item		
Item No. 2		(23,248)
Total RPTTF approved for non-administrative obligations		**946,285**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF approved for administrative obligations		**125,000**
Total RPTTF approved for obligations		**1,071,285**
CAC ROPS III prior period adjustment (PPA)		153,521
Adjustment to ROPS III PPA		(153,521)
Total ROPS III PPA		0
Total RPTTF approved for distribution	**$**	**1,071,285**

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the

ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Paul Cayler, Interim City Manager, City of Cloverdale
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office